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BEFORE THE ARIZONA CORPORATION COMMISSION
DOCKETED

AUG 22 2002

WILLIAM A. MUNDELL
CHAIRMAN
JIM IRVIN
COMMISSIONER
MARC SPITZER
COMMISSIONER

DOCKETED BY

IN THE MATTER OF THE APPLICATION OF
NEW RIVER UTILITY COMPANY FOR A RATE
INCREASE.

DOCKET NO. W-01737A-01-0662

DECISION NO. **65134****OPINION AND ORDER**

DATE OF HEARING: June 6, 2002
PLACE OF HEARING: Phoenix, Arizona
ADMINISTRATIVE LAW JUDGE: Teena Wolfe
APPEARANCES: Jay L. Shapiro, FENNEMORE CRAIG, PC, for
Applicant New River Utility Company;
Daniel W. Pozefsky, Staff Attorney, for the Residential
Utility Consumer Office; and
Lisa A. Vandenberg, Staff Attorney, Legal Division, for
the Commission's Utilities Division Staff.

BY THE COMMISSION:

On August 15, 2001, New River Utility Company ("New River" or "Company") filed with the Arizona Corporation Commission ("Commission") an application for an increase in its rates ("Application").

On September 13, 2001, the Commission's Utilities Division Staff ("Staff") notified New River that the Application met the Commission's sufficiency requirements.

On September 20, 2001, a Procedural Order was issued setting a hearing on the Application to take place on March 26, 2002, and establishing procedural deadlines.

On September 28, 2001, the Residential Utility Consumer Office ("RUCO") filed an Application to Intervene, which was granted by Procedural Order on October 24, 2001.

On December 19, 2001, Staff filed a motion stating that no certification of mailing had been filed, and requesting an extension of time to allow the Company to properly notice the hearing.

On December 28, 2001, an Amended Procedural Order was issued setting this matter for hearing on June 6, 2002. New River provided notice of the requested rate increase, and of the June 6, 2002 hearing, to its customers on January 22, 2002.

On June 3, 2002, a Settlement Agreement ("Settlement" or "Stipulation") signed by New River, RUCO, and Staff was filed in this docket.¹

On June 6, 2002, a full public hearing was held as scheduled before a duly authorized Administrative Law Judge of the Commission. No members of the public appeared at the hearing to make public comment. At the conclusion of the hearing, the matter was taken under advisement pending submission of a Recommended Opinion and Order to the Commission.

On June 10, 2002, RUCO filed a Notice to Parties of its position regarding the Settlement Agreement, and on June 14, 2002, the parties to the Settlement Agreement filed an Addendum to Settlement Agreement.²

* * * * *

Having considered the entire record herein and being fully advised in the premises, the Commission finds, concludes, and orders that:

FINDINGS OF FACT

1. New River is an Arizona "C" corporation engaged in the business of providing water utility service to the public in an approximately 1.7 square mile area in the City of Peoria, Maricopa County, Arizona, pursuant to authority granted by the Commission in Decision Nos. 33131 (May 24, 1961) and 33354 (August 15, 1961).

2. New River's present rates and charges for water service were approved in Decision No. 62249 (April 14, 2001). Decision 62249 ordered New River to file a rate application for permanent rates using a test year ending December 31, 2000 ("Test Year").

3. New River served approximately 1,150 customers at the end of the Test Year.

4. On August 15, 2001, pursuant to Decision 62249, New River filed the Application.

¹ A copy of the Settlement Agreement is attached hereto as "Exhibit A."

² A copy of the Addendum to Settlement Agreement is attached hereto as "Exhibit B."

1 5. On September 13, 2001, Staff determined that New River's application was sufficient
2 and classified it as a Class C utility.

3 6. On September 20, 2002, a Procedural Order was issued setting this matter for hearing
4 and establishing other procedural deadlines for the conduct of this proceeding.

5 7. On September 28, 2002, RUCO filed an Application to Intervene, which was granted
6 by Procedural Order on October 24, 2002.

7 8. On December 19, 2002, Staff filed a motion stating that no certification of mailing
8 notice of the hearing had been filed. Staff requested an extension of time to allow the Company to
9 properly notice the hearing.

10 9. On December 28, 2001, an Amended Procedural Order was issued setting this matter
11 for hearing on June 6, 2002, and setting other amended procedural deadlines.

12 10. On January 22, 2002, New River provided notice to its customers, by First Class U.S.
13 Mail, of the June 6, 2002 hearing on the requested rate increase. Staff testified that in response
14 thereto, the Commission's Consumer Services section received only one inquiry in relation to the
15 proposed rate increase. No protests or requests to intervene were filed.

16 11. On March 28, 2002, Staff and RUCO filed direct testimony in this matter.

17 12. On April 25, 2002, the Company filed rebuttal testimony, with a revision filed on May
18 1, 2002.

19 13. On April 29, 2002, Staff filed a memorandum in this docket to provide notice that the
20 Company had approached Staff requesting settlement discussions.

21 14. On May 8 and May 9, 2002, Staff and RUCO filed surrebuttal testimony.

22 15. On June 3, 2002, the Settlement Agreement was filed in this docket.

23 16. On June 6, 2002, a full public hearing was held as scheduled.

24 17. No customers appeared at the hearing to provide public comment on the Application.

25 18. The rates and charges for Company at present, as proposed by the Company in the
26 Application, as initially recommended by RUCO, as initially recommended by Staff, and as proposed
27 in the Settlement Agreement by all the parties are as follows:
28

	Present	Initial Proposed Rates			Settlement Agreement
	<u>Rates</u>	<u>Company</u>	<u>RUCO</u>	<u>Staff</u>	<u>Rates</u>
<u>MONTHLY USAGE CHARGE:</u>					
5/8" x 3/4" Meter	\$7.50	\$7.50	\$7.50	\$9.00	\$7.50
3/4" Meter	7.50	7.50	11.25	9.00	7.50
1" Meter	18.75	18.75	18.75	28.50	18.75
1 1/2" Meter	37.50	37.50	37.50	72.75	37.50
2" Meter	60.00	60.00	60.00	120.00	60.00
3" Meter	120.00	120.00	120.00	150.00	120.00
4" Meter	190.00	190.00	187.50	190.00	190.00
6" Meter	375.00	375.00	375.00	375.00	375.00
8" Meter	750.00	750.00	600.00	750.00	750.00
Gallons included in minimum	0	0			0
Commodity Rates - per 1,000 gallons					
From 1 to 12,000 gallons	N/A	N/A	N/A	1.20	1.20
From 12,001 to 18,000 gallons	N/A	N/A	N/A	1.50	1.40
In excess of 18,000 gallons	N/A	N/A	N/A	2.00	1.60
All meter sizes	1.00	2.00	1.017139	N/A	N/A
Standpipe Rate - per 1,000 gallons	1.50	2.00	1.50	2.00	1.60
<u>SERVICE LINE AND METER INSTALLATION CHARGES:</u> (Refundable pursuant to A.A.C. R14-2-405)					
5/8" x 3/4" Meter	410.00	410.00	410.00	410.00	410.00
3/4" Meter	410.00	410.00	410.00	410.00	410.00
1" Meter	520.00	520.00	520.00	520.00	520.00
1 1/2" Meter	660.00	660.00	660.00	660.00	660.00
2" Meter	1,155.00	1,155.00	1,155.00	1,155.00	1,155.00
2" Meter Compound	1,720.00	1,720.00	1,720.00	1,720.00	1,720.00
3" Meter	1,625.00	1,625.00	1,625.00	1,625.00	1,625.00
3" Meter Compound	2,260.00	2,260.00	2,260.00	2,260.00	2,260.00
4" Meter	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00
4" Meter Compound	3,200.00	3,200.00	3,200.00	3,200.00	3,200.00
6" Meter	4,500.00	4,500.00	4,500.00	4,500.00	4,500.00
6" Meter Compound	6,300.00	6,300.00	6,300.00	6,300.00	6,300.00
8" Meter	8,200.00	8,200.00	8,200.00	8,200.00	8,200.00
<u>SERVICE CHARGES:</u>					
Establishment	25.00	50.00	50.00	25.00	25.00
Establishment (After Hours)	35.00	60.00	60.00	35.00	35.00
Reconnection (Delinquent)	35.00	60.00	60.00	35.00	35.00

1	Deposit	*	*	*	*	*
	Deposit Interest	*	*	*	*	*
2	Reestablishment (Within 12	**	**	**	**	**
3	Months)					
	NSF Check	15.00	15.00	15.00	15.00	15.00
4	Deferred Payment	1.50%	1.50%	1.50%	1.50%	1.50%
	Meter Test (If Correct)	40.00	40.00	40.00	40.00	40.00
5	Meter Reread (If Correct)	20.00	20.00	20.00	20.00	20.00
	Late Payment Penalty (per month)	1.50%	1.50%	1.50%	1.50%	1.50%
6	Fire Sprinkler Rate	***	***	N/A	***	***

8 * Per A.A.C. R14-2-403(B).

9 ** Months off system times the monthly minimum per A.A.C. R14-2-403(D).

10 *** 1% of the monthly minimum charge for a comparable size meter connection, but no
less than \$5.00 per month. The Service Charge for Fire Sprinklers is only applicable
for service lines separate and distinct from the primary water service line.

11 11. In the application, the Company proposed an Original Cost Rate Base ("OCRB") of
12 \$737,487. RUCO initially recommended an OCRB of \$744,925, and Staff initially recommended an
13 OCRB of \$837,572.

14 12. In the Settlement Agreement, the parties jointly propose that the Commission
15 determine the Company's adjusted OCRB to be \$826,355.

16 13. The parties' proposal for an adjusted OCRB of \$826,355 represents a fair and
17 reasonable resolution of the issues in this case, and we will adopt it. The Company's OCRB is
18 \$826,355, which is the same as its fair value rate base ("FVRB").

19 14. In the Application, the Company proposed a revenue requirement of \$756,861, for an
20 increase of \$344,222, or 83.4 percent, over its proposed adjusted test year revenues of \$412,639.
21 RUCO initially recommended a revenue requirement of \$575,613, for an increase of \$14,004, or 2.49
22 percent, over RUCO's recommended adjusted test year revenues of \$561,609. Staff initially
23 recommended a revenue requirement of \$678,814, for an increase of \$204,582, or 43.1 percent, over
24 Staff's recommended adjusted test year revenues of \$474,232.

25 15. In the Settlement Agreement, all the parties propose that the Commission approve a
26 revenue requirement of \$678,180, which includes an annual increase in revenues of \$122,041 over
27 Staff's surrebuttal testimony adjusted test year revenues of \$556,139.

1 16. The parties' proposal for a revenue requirement of \$678,180 represents a fair and
2 reasonable resolution of the issues in this case, and we will adopt it.

3 17. In the Application, the Company proposed an overall rate of return of 10.93 percent.
4 RUCO initially recommended an overall rate of return of 9.63 percent, and Staff initially
5 recommended an overall rate of return of 8.7 percent.

6 18. In the Settlement Agreement, the parties jointly propose that the Commission approve
7 an overall rate of return of 7.78 percent, which is based on a cost of equity of 7.78 percent and a 100
8 percent equity capital structure. The Settlement Agreement states that the agreed-upon 7.78 percent
9 rate of return is the result of a negotiated revenue requirement, and reflects a calculation that supports
10 that revenue requirement.

11 19. The parties' proposal for an overall rate of return of 7.78 percent represents a fair and
12 reasonable resolution of the issues in this case, and will provide the Company with a fair and
13 reasonable rate of return on fair value rate base. We will therefore adopt this proposed rate of return.

14 18. During the Test Year, the majority of New River's approximately 1,150 metered
15 customers were served by 5/8" x 3/4" meters.

16 19. Average and median usage on the 5/8" x 3/4" and 3/4" meters combined during the Test
17 Year was 12,693 and 12,501 gallons per month, respectively.

18 20. Applicant's initially proposed rate schedule would increase the average monthly 5/8 x
19 3/4" customer bill by 64.09 percent, from \$20.19 to \$31.50, and the median monthly 5/8 x 3/4"
20 customer bill by 65.57 percent, from \$20.00 to \$30.50.

21 21. The Settlement Agreement proposed rate schedule would increase the average
22 monthly 5/8 x 3/4" customer bill by 13.26 percent, from \$20.19 to \$22.87, and the median monthly 5/8
23 x 3/4" customer bill by 13.00 percent, from \$20.00 to \$22.60.

24 22. The rates and charges and rate design proposed by the parties in the Settlement
25 Agreement are reasonable and we will adopt them.

26 23. The Company's water system is in compliance with ADWR regulations.
27
28

1 24. The parties agreed that the Company will use, on a going-forward basis, the
2 depreciation rates as filed in the Addendum to Settlement Agreement, attached hereto as Exhibit B.

3 25. Staff testified that the Maricopa County Environmental Services Division ("MCESD")
4 reports that due to minor deficiencies, the MCESD cannot determine if the Company's water system
5 is currently delivering water that does not exceed any maximum contaminant levels and meets the
6 Safe Drinking Water Act quality standards.

7 26. At the hearing, New River stipulated that before any new rate increase goes into
8 effect, that the Company would submit to the Director of the Utilities Division, documentation stating
9 that its water system is delivering water that does not exceed any maximum contaminant levels and
10 meets the Safe Drinking Water Act quality standards.

11 27. At the hearing, New River agreed to file, as recommended by Staff, a Curtailment Plan
12 Tariff with the Director of the Utilities Division, for review and approval, within 90 days of the
13 effective date of a Decision in this matter.

14 **CONCLUSIONS OF LAW**

15 1. New River is a public service corporation within the meaning of Article XV of the
16 Arizona Constitution and A.R.S. §§ 40-250 and 40-251.

17 2. The Commission has jurisdiction over New River and of the subject matter of the
18 application.

19 3. Notice of the application was provided in the manner prescribed by law.

20 4. The rates and charges authorized herein are just and reasonable.

21 5. The parties' proposals in the Settlement Agreement, as set forth herein, are reasonable
22 and should be adopted.

23 6. Staff's recommendation that the new rates not go into effect until the Company
24 demonstrates compliance with MCESD regulations is reasonable and should be adopted.

25 **ORDER**

26 IT IS THEREFORE ORDERED that New River Utility Company is hereby directed to file on
27 or before September 1, 2002, revised rate schedules setting forth the following rates and charges:
28

RatesMONTHLY USAGE CHARGE:

5/8" x 3/4" Meter	\$7.50
3/4" Meter	7.50
1" Meter	18.75
1 1/2" Meter	37.50
2" Meter	60.00
3" Meter	120.00
4" Meter	190.00
6" Meter	375.00
8" Meter	750.00

Commodity Rates - per 1,000
gallons

From 1 to 12,000 gallons	1.20
From 12,001 to 18,000 gallons	1.40
In excess of 18,000 gallons	1.60

Standpipe Rate - per 1,000 gallons 1.60

5/8" x 3/4" Meter	\$410.00
3/4" Meter	410.00
1" Meter	520.00
1 1/2" Meter	660.00
2" Meter	1,155.00
2" Meter Compound	1,720.00
3" Meter	1,625.00
3" Meter Compound	2,260.00
4" Meter	2,500.00
4" Meter Compound	3,200.00
6" Meter	4,500.00
6" Meter Compound	6,300.00
8" Meter	8,200.00

SERVICE CHARGES:

Establishment	\$25.00
Establishment (After Hours)	35.00
Reconnection (Delinquent)	35.00
Deposit	*
Deposit Interest	*

1	Reestablishment (Within 12	**
2	Months)	
2	NSF Check	15.00
3	Deferred Payment	1.50%
3	Meter Test (If Correct)	\$40.00
4	Meter Reread (If Correct)	20.00
4	Late Payment Penalty (per month)	1.50%
5	Fire Sprinkler Rate	***

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7 * Per A.A.C. R14-2-403(B).

8 ** Months off system times the monthly minimum per A.A.C. R14-2-403(D).

9 *** 1% of the monthly minimum charge for a comparable size meter connection, but no less than \$5.00 per month. The Service Charge for Fire Sprinklers is only applicable for service lines separate and distinct from the primary water service line.

10 IT IS FURTHER ORDERED that the above rates and charges shall be effective for all service

11 provided on and after the first day of the month following New River Utility Company's notification

12 to its customers of the rates and charges authorized herein, and that New River Utility Company shall

13 notify its customers of the rates and charges authorized herein and the effective date of same by

14 means of an insert in the next regular monthly billing following New River Utility Company's

15 submission, to the Director of the Utilities Division, of documentation from the Maricopa County

16 Environmental Services Division stating that New River Utility Company's water system is

17 delivering water that does not exceed any maximum contaminant levels and meets the Safe Drinking

18 Water Act quality standards.

19 IT IS FURTHER ORDERED that New River Utility Company shall file with the

20 Commission, within 30 days of the customer notification, a copy of the notice it sends to its

21 customers.

22 IT IS FURTHER ORDERED that New River Utility Company shall file, within 90 days of

23 this Decision, for review and approval, a Curtailment Plan Tariff with the Director of the Utilities

24 Division.

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1 IT IS FURTHER ORDERED that New River Utility Company shall use, on a going-forward
2 basis, the depreciation rates as they appear in the Addendum to Settlement Agreement filed by the
3 parties on June 14, 2002 and attached to this Decision as Exhibit B.

4 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

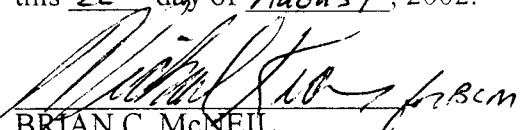
5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

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7 CHAIRMAN

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9 COMMISSIONER

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11 COMMISSIONER

12 IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive
13 Secretary of the Arizona Corporation Commission, have
14 hereunto set my hand and caused the official seal of the
15 Commission to be affixed at the Capitol, in the City of Phoenix,
16 this 22ND day of AUGUST, 2002.

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18 BRIAN C. McNEIL
19 EXECUTIVE SECRETARY

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DISSENT _____
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1 SERVICE LIST FOR: NEW RIVER UTILITY COMPANY
2 DOCKET NO. W-01737A-01-0662
3
4 Jay Shapiro
FENNEMORE CRAIG, P.C.
3003 N. Central Ave., Suite 2600
5 Phoenix, Arizona 85012-2913
Attorneys for New River Utility Company
6
7 Robert L. Fletcher
New River Utility Company
7839 West Deer Valley Road
8 Peoria, AZ 85007
9
10 C. J. Schatza, CPA
BARROWS & SCHATZA, P.L.C.
1819 E. Morten Avenue, Ste. 255
Phoenix, AZ 85020
11
12 Scott S. Wakefield
RUCO
1110 W. Washington Street, Suite 220
13 Phoenix, AZ 85007
14
15 Christopher Kempley, Chief Counsel
Legal Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
16 Phoenix, AZ 85007
17
18 Ernest Johnson, Director
Utilities Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
19 Phoenix, AZ 85007
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HEARING

RECEIVED

BEFORE THE ARIZONA CORPORATION COMMISSION

WILLIAM A. MUNDELL
Chairman

JIM IRVIN
Commissioner

MARC SPITZER
Commissioner

RECEIVED

2002 JUN -3 P 3:29

JUN 03 2002

AZ CORP COMMISSION
DOCUMENT CONTROLARIZONA CORPORATION COMMISSION
HEARING DIVISION

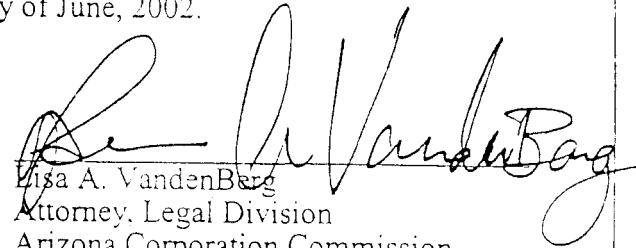
IN THE MATTER OF THE APPLICATION OF
NEW RIVER UTILITY COMPANY FOR A
RATE INCREASE.

DOCKET NO. W-01737A-01-0662

STAFF'S NOTICE OF FILING

On June 3, 2002, Staff of the Arizona Corporation Commission ("Staff"), New River Utility Company ("New River"), and Residential Utility Consumer Office ("RUCO") entered into a settlement agreement in this matter. Therefore, Staff hereby files fifteen (15) copies of the Proposed Settlement Agreement in the above-referenced matter.

RESPECTFULLY SUBMITTED this 3rd day of June, 2002.


Lisa A. Vandenberg
Attorney, Legal Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007
(602) 542-3402

Original and ten copies of the
foregoing filed this 3rd day
of June, 2002 with:

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Copy of the foregoing was
Mailed and faxed this 3rd day
of June, 2002, to:

Robert Fletcher
NEW RIVER UTILITY COMPANY
7839 West Deer Valley Road
Phoenix, Arizona 85007

DECISION NO. 65134

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Jay Shapiro, Esq.
FENNEMORE CRAIG
3003 North Central Avenue
Suite 2600
Phoenix, Arizona 85012-2913
Counsel for New River Utility Company

Daniel Pozefsky
Residential Utility Consumer Office
2828 North Central Avenue
Suite 1200
Phoenix, Arizona 85012


Angela L. Bennett

DECISION NO. 65134

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 WILLIAM A. MUNDELL

 Chairman

3 JIM IRVIN

 Commissioner

4 MARC SPITZER

 Commissioner

5
6 IN THE MATTER OF THE APPLICATION OF) DOCKET NO. W-01737A-01-0662
7 NEW RIVER UTILITY COMPANY FOR A)
8 RATE INCREASE.)
 _____)

9 **SETTLEMENT AGREEMENT**

10 Applicant New River Utility Company ("Applicant"), Intervenor Residential Utility
11 Consumer Office ("RUCO" or "Intervenor"), and Staff for the Utilities Division of Arizona
12 Corporation Commission ("Staff"), each a party (and collectively the "Parties") to Arizona
13 Corporation Commission Docket No. W-01737A-01-0662 captioned IN THE MATTER OF THE
14 APPLICATION OF NEW RIVER UTILITY COMPANY FOR A RATE INCREASE (the
15 "Application"), hereby stipulate and agree to the following settlement provisions in connection with
16 Applicant's request for an adjustment to its rates and charges for public utility water service. The
17 following terms and conditions of this Agreement are intended to resolve all the issues among the
18 undersigned parties in a manner consistent with the public interest.

19 **Terms and Conditions**

20 The Parties to the Agreement include Applicant, Intervenor and Staff, who hereby agree to
21 the following:

22 1. Statement of Intentions and Admissions. The Parties hereby agree that the purpose of this
23 Agreement is to resolve contested matters in Docket No. W-01737A-01-0662 in a manner consistent
24 with the public interest. The Parties further recognize that: (a) this Agreement acts as a procedural
25 device to propose the Parties' settlement terms to the Commission; and (b) this Agreement has no
26 binding force or effect until finally approved by an order of the Commission. Nothing contained in
27 this Agreement is an admission by any Party that any of the positions taken, or that might be taken
28 by each in this proceeding, is unreasonable or unlawful. In addition, acceptance of this Agreement

by any of the Parties is without prejudice to any position taken by any Party in these proceedings.

2. Settlement Schedule. The Parties hereby agree that the settlement concerning rates and charges of the Application reached between the Parties is illustrated on the schedule attached hereto as Attachment A and incorporated herein by this reference (the "Settlement Schedule"). The Parties hereby acknowledge and agree that the figures set forth in the Settlement Schedule are the result of negotiation and do not necessarily reflect the position of any Party of this Agreement.

3. Adjusted Rate Base. The Parties hereby agree to an adjusted Original Cost Rate Base of \$826,355 which shall be the Fair Value Rate Base.

4. Total Revenue. The Parties hereby agree to total revenues of \$678,180 which includes an annual increase in revenues of \$122,041 over Staff adjusted test year revenues.

5. Rate of Return. The Parties hereby agree to an overall rate of return of 7.78 percent, which is based on a cost of equity of 7.78 percent and a 100 percent equity capital structure. The rate of return is the result of a negotiated revenue requirement, and reflects a calculation that supports that revenue requirement.

6. Rates and Rate Design. The Parties hereby agree to the rates and charges attached hereto as Attachment A and incorporated herein by this reference. The agreed-upon rates and charges are the result of negotiation.

7. Staff Authority. The Parties recognize that (a) the Staff does not have the power to bind the Commission; and (b) for the purposes of settlement, the Staff acts in the same manner as a party in proceedings before the Commission.

8. Commission Authority to Modify. Each provision of this Agreement is in consideration and support of all other provisions, and expressly conditioned upon acceptance by the Commission without material change; provided, however, that the Parties further recognize that the Commission will evaluate the terms of this Agreement, and that after such evaluation the Commission may require immaterial modifications to any of the terms hereof before accepting this agreement.

9. Commission Approval. In the event that the Commission adopts an order approving all of the terms of this Agreement without material change, such action by the Commission constitutes

1 approval of the Agreement, and thereafter the Parties shall abide by its terms.

2 10. Effect of Modification by the Commission. In the event that any Party objects to any
3 modification to the terms of this Agreement made by the Commission in an order approving this
4 Agreement, such Party shall timely file an Application for Rehearing under A.R.S. § 40-253. In the
5 event that a Party does not file such an application, that Party shall be deemed (a) to have accepted
6 any modifications made by the Commission; and (b) to have conclusively and irrefutably accepted
7 that any modifications to terms of this Agreement are not material and therefore the Commission
8 order does adopt the terms of this Agreement without material change.

9 11. Application for Rehearing. If any Party to this Agreement files an Application for Rehearing
10 and alleges that the Commission has failed to approve all terms of the Agreement without material
11 change, then such application shall be deemed a withdrawal of the Agreement, and the Parties shall
12 request a Procedural Order setting Applicant's original Application for hearing. Such hearing shall
13 be without prejudice to the position of any Parties, and this Agreement and any supporting
14 documents relating thereto shall not be admitted into evidence for any purpose nor used by the
15 Commission in its final consideration of the issues raised in this Docket.

16 12. Appeal of Commission Decision. If a Party's application for rehearing alleges that the
17 Commission has failed to approve all terms of this Agreement without material change, and the
18 application for rehearing is denied, either by Commission order or by operation of law, and such
19 Party still objects to any modification to the terms of this Agreement made by the Commission, that
20 Party shall timely file an appeal of the Commission's decision pursuant to A.R.S. § 40-254 or § 40-
21 254.01, as appropriate. In the event that the Party does not file such an appeal, it shall be deemed
22 (a) to have accepted any modifications made by the Commission, and (b) to have conclusively and
23 irrefutably accepted that any modifications to the terms of this Agreement are not material and
24 therefore the Commission's order approves the Agreement without material change.

25 13. Limitations. The terms and provisions of this Agreement apply solely to and are binding only
26 in the context of the provisions and results of this Agreement and none of the positions taken in this
27 Agreement by any of the Parties may be referred to, cited to, or relied upon by any other Party in any
28 fashion as precedent or otherwise in any proceeding before the Commission or any other regulatory

1 agency or before any court of law for any purpose except in furtherance of the purpose and results
2 of this Agreement.

3 14. Definitive Text. The "Definitive Text" of this Agreement shall be the text adopted by the
4 Commission in an order adopting substantially all the terms of this Agreement including all
5 modifications made by the Commission in such an order.

6 15. Severability. Each of the terms of the Definitive Text of this Agreement is in consideration
7 and support of all other terms. Accordingly, such terms are not severable.


8 16. Support and Defend. The Parties pledge to support and defend this Agreement before the
9 Commission. If this Agreement enters into force, the Parties will support and defend this Agreement
10 before any court or regulatory agency in which it may be at issue.

1
2 IN WITNESS WHEREOF, the Parties hereto have executed this Agreement on this 3rd
3 day of ~~May~~ ^{June}, 2002.

4 NEW RIVER UTILITY COMPANY

ARIZONA CORPORATION
COMMISSION UTILITIES DIVISION
STAFF

7 By: _____

By:  _____

8 Its: _____

Its: Director, Utilities Division
for

9
10 INTERVENOR
11 R.U.C.O.
(Residential Utility Consumer Office)

12 By: _____

13 Its: _____

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement on this _____
day of May, 2002.

NEW RIVER UTILITY COMPANY

ARIZONA CORPORATION
COMMISSION UTILITIES DIVISION
STAFF

By: _____
Its: _____

By: _____
Its: Director, Utilities Division

INTERVENOR
R.U.C.O.
(Residential Utility Consumer Office)

By: Brian Mendenhall
Its: Deputy Director

MAY 31 '02 11:19 FR FENNEMORE CRAIG H4 602 916 5999 TO 0956010010006235 P.06

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IN WITNESS WHEREOF, the Parties hereto have executed this Agreement on this _____ day of May, 2002.

NEW RIVER UTILITY COMPANY

ARIZONA CORPORATION
COMMISSION UTILITIES DIVISION
STAFF

By: [Signature]
Its: Pres.

By: _____
Its: Director, Utilities Division

INTERVENOR
R.U.C.O.
(Residential Utility Consumer Office)

By: _____
Its: _____

RATE DESIGN

LINE NO		Proposed		
		Present Rates	Rates Company	Settlement Rates
1	<u>Monthly Usage Charge</u>			
2	5/8 x3/4" - Meter	\$7.50	\$7.50	\$ 7.50
3	3/4" "	7.50	7.50	7.50
4	1" "	18.75	18.75	18.75
5	1-1/2" "	37.50	37.50	37.50
6	2" "	60.00	60.00	60.00
7	3" "	120.00	120.00	120.00
8	4" "	190.00	190.00	190.00
9	6" "	375.00	375.00	375.00
10	8" "	750.00	750.00	750.00
11	<u>Gallons in Minimum</u>	0	0	0
12	<u>Commodity Rates</u> - per 1,000 gallons			
13	From 1 to 12,000 gallons	\$ 1.00	\$ 1.35	\$ 1.20
14	From 12,001 to 18,000 gallons	1.00	1.47	1.40
15	In excess of 18,000 gallons	1.00	1.59	1.60
16	<u>Standpipe Rate</u> - per 1,000 gallons	\$ 1.50	\$ 1.59	\$ 1.60
17	<u>Service Line and Meter Installation Charges</u>			
18	5/8 x3/4" Meter	\$ 410.00	\$ 410.00	\$ 410.00
19	3/4" Meter	410.00	410.00	410.00
20	1" Meter	520.00	520.00	520.00
21	1-1/2" Meter	660.00	660.00	660.00
22	2" Meter	1,155.00	1,155.00	1,155.00
23	2" Meter Compound	1,720.00	1,720.00	1,720.00
24	3" Meter	1,625.00	1,625.00	1,625.00
25	3" Meter Compound	2,260.00	2,260.00	2,260.00
26	4" Meter	2,500.00	2,500.00	2,500.00
27	4" Meter Compound	3,200.00	3,200.00	3,200.00
28	6" Meter	4,500.00	4,500.00	4,500.00
29	6" Meter Compound	6,300.00	6,300.00	6,300.00
30	8" Meter	8,200.00	8,200.00	8,200.00
31	<u>Service Charges</u>			
32	Establishment	\$ 25.00	\$ 50.00	\$ 25.00
33	Establishment (After Hours)	35.00	60.00	35.00
34	Reconnection (Delinquent)	35.00	60.00	35.00
35	Deposit	*	*	*
36	Deposit Interest	*	*	*
37	Re-establishment (Within 12 months)	**	**	**
38	NSF Check	15.00	15.00	15.00
39	Deferred Payment	1.50%	1.50%	1.50%
40	Meter Test (If Correct)	40.00	40.00	40.00
41	Meter Re-Read (If Correct)	20.00	20.00	20.00
42	Late charge (Per Month)	1.50%	1.50%	1.50%
43	Fire Sprinkler rate	***	***	***

* Per Commission Rules (R14-2-403.B)

** Months off system times the minimum (R14-2-403.D)

*** 1.00% of Monthly Minimum for a comparable Size Meter Connection but no less that \$5.00 per month. The Service Charge for Fire Sprinklers is only applicable for service lines separate and distinct from the primary water service line.

COPY

EXHIBIT B

RECEIVED

BEFORE THE ARIZONA CORPORATION COMMISSION

2002 JUN 14 P 3:48

WILLIAM A. MUNDELL

Chairman

JIM IRVIN

Commissioner

MARC SPITZER

Commissioner

AZ CORP COMMISSION
DOCUMENT CONTROL

IN THE MATTER OF THE APPLICATION OF) DOCKET NO. W-01737A-01-0662
NEW RIVER UTILITY COMPANY FOR A)
RATE INCREASE.)

ADDENDUM TO SETTLEMENT AGREEMENT

Applicant New River Utility Company ("Applicant"), Intervenor Residential Utility Consumer Office ("RUCO" or "Intervenor"), and Staff for the Utilities Division of Arizona Corporation Commission ("Staff"), each a party (and collectively the "Parties") to Arizona Corporation Commission Docket No. W-01737A-01-0662 captioned IN THE MATTER OF THE APPLICATION OF NEW RIVER UTILITY COMPANY FOR A RATE INCREASE (the "Application"), hereby stipulate and agree to the following addendum to the Settlement Agreement in this matter filed on June 3, 2002.

Terms and Conditions

The Parties to the Agreement include Applicant, Intervenor and Staff, who hereby agree to the following additional term and condition:

1. Depreciation Rate. The parties hereby agree that the Company's depreciation rates shall be as set forth in Attachment B.
2. Effect of Addendum. Each and every term of the original Settlement Agreement shall remain in effect. This addendum shall be incorporated by reference into the original Settlement Agreement and made a part thereof.

Arizona Corporation Commission

DOCKETED

JUN 14 2002

DOCKETED BY

CAR

65134

DECISION NO.

1 IN WITNESS WHEREOF, the Parties hereto have executed this Addendum to Settlement
2 Agreement on this 14 day of June, 2002.

3 NEW RIVER UTILITY COMPANY

ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION STAFF

4
5 By: _____

By: _____

6 Its: _____

Its: Director, Utilities Division

7
8 INTERVENOR

R.U.C.O.

9 (Residential Utility Consumer Office)

10 By: Brian Munsell

11 Its: Deputy Director

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DECISION NO. 65134

1 IN WITNESS WHEREOF, the Parties hereto have executed this Addendum to Settlement
2 Agreement on this ____ day of June, 2002.

3 NEW RIVER UTILITY COMPANY

ARIZONA CORPORATION
COMMISSION UTILITIES DIVISION
STAFF

4
5 By: 

By: _____

6 Its: Attorney of Record

Its: Director, Utilities Division

7
8 INTERVENOR
9 R.U.C.O.
(Residential Utility Consumer Office)

10 By: _____

11 Its: _____
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DECISION NO. 65134

1 IN WITNESS WHEREOF, the Parties hereto have executed this Addendum to Settlement
2 Agreement on this ____ day of June, 2002.

3 NEW RIVER UTILITY COMPANY

ARIZONA CORPORATION
COMMISSION UTILITIES DIVISION
STAFF

4
5 By: _____

By: _____

6 Its: _____

Its: Director, Utilities Division
for

7
8 INTERVENOR
9 R.U.C.O.
10 (Residential Utility Consumer Office)

11 By: _____

12 Its: _____

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ATTACHMENT B

NEW RIVER UTILITY COMPANY
DOCKET NO. W-01 737A-01 -0662

ACCT	ACCOUNT TITLE	DEPREC. RATE
304	STRUCTURES & IMPROVEMENTS	3.33%
305	COLLECTING & IMPOUNDING RESERVOIRS	2.50%
306	LAKE, RIVER, CANAL INTAKES	2.50%
307	WELLS & SPRINGS	3.33%
308	INFILTRATION GALLERIES	6.67%
309	RAW WATER SUPPLY MAINS	2.00%
310	POWER GENERATION EQUIP.	5.00%
311	PUMPING EQUIP.	12.50%
320	WATER TREATMENT EQUIP.	-----
320.1	WATER TREATMENT PLANTS	3.33%
320.2	SOLUTION CHEMICAL FEEDERS	20.00%
330	DISTRIBUTION RESERVOIRS & STANDPIPES	-----
330.1	STORAGE TANKS	2.22%
330.2	PRESSURE TANKS	5.00%
331	TRANSMISSION & DISTRIBUTION MAINS	2.00%
333	SERVICES	3.33%
334	METERS	8.33%
335	HYDRANTS	2.00%
336	BACKFLOW PREVENTION DEVICES	6.67%
339	OTHER PLANT & MISC EQUIP	6.67%
340	OFFICE FURNITURE & EQUIP	6.67%
340.1	COMPUTERS & SOFTWARE	20.00%
341	TRANSPORTATION EQUIP.	20.00%
342	STORES EQUIP.	4.00%
343	TOOLS, SHOP & GARAGE EQUIP.	5.00%
344	LABORATORY EQUIP.	10.00%
345	POWER OPERATED EQUIP.	5.00%
346	COMMUNICATIONS EQUIP.	10.00%
347	MISC. EQUIP.	10.00%
348	OTHER TANGIBLE PLANT*	-----

*Acct. 348, OTHER TANGIBLE PLANT may vary from 5 percent to 50 percent.
The depreciation rate would be set in accordance with specific capital items in this account.

DECISION NO. 65134